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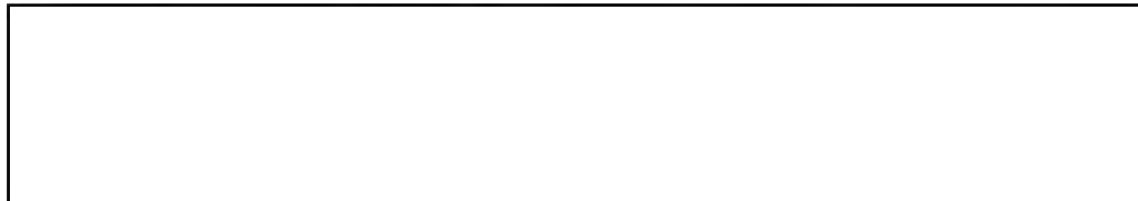
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SOUTHEAST ASIA

1. Comment on Vietnamese army's campaign against dissident forces:



The Vietnamese army's operations against rebel Hoa Hao forces have met thus far with considerable success.

Continuing pressure on Soai's forces has reduced that group to an estimated 5,000 from its original strength of about 7,500. The reduction is largely attributable to the defection of several battalions in the face of the 28,000-man government force. Premier Diem and Colonel Duc, commander of operations against the Hoa Hao, reportedly are convinced that Soai has lost effective command and that the bulk of his troops are prepared to go over to the government's side.

Duc is now apparently turning his attention to the other antigovernment Hoa Hao commander, Ba Cut, whose estimated 3,300 troops are concentrated near the Cambodian border, west of Soai's area.

After reducing the organized Hoa Hao military threat, the government must still deal with guerrilla activity. The government, however, is reported to be making strong efforts to win over the populace in Hoa Hao areas.

Meanwhile, clearing operations south-east of Saigon against the 1,500 remaining Binh Xuyen troops are proceeding slowly.



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NEAR EAST - AFRICA

2. Iranian defense minister predicts critical period for Ala government:



Iranian defense minister Hedayat stated [redacted] the Ala government recognizes its position is weak and the next few weeks will be critical, [redacted]



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He believes the recent return to Tehran of Prime Minister Ala will quiet rumors of an impending government change. Despite Ala's weakened condition, Hedayat said, the prime minister appears determined to continue in office.

Comment: The voting trend in the Majlis is progressively antigovernment, and the Shah's ill-advised attempts to act as his own prime minister are rapidly alienating the landlords, the Moslem clergy, the business community and elements of the army, as well as Nationalist groups which might have supported the Shah's program of social reform.

The Shah might sacrifice Ala as a scapegoat for his own failures, but the situation will continue to deteriorate if he replaces him with an equally weak prime minister.

WESTERN EUROPE

3. North African situation seen number-one sore spot in French-American relations:

Ambassador Dillon in Paris is concerned over the extent to which the North African situation has become both the principal problem for France and the sorest spot in French-American relations. He reports widespread indications that North Africa is far more in the minds of all Frenchmen than any other external problem, and he sees little understanding of the American policy on the area. He sees an increasing tendency to seek to blame the United States for French troubles in North Africa.

Comment: The most pressing current issue is the French government's insistence on additional transfers of military equipment to North Africa from Indochina and Europe. At the same time, however, there are indications that Paris has in mind abandoning the NATO installations program for Algeria and Tunisia, presumably to avoid introducing additional NATO personnel into North Africa. This program had been held up for over a year pending French negotiations with NATO on the use of the installations to be built.

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4. Malik outlines extensive Soviet demands on Japanese:

The USSR has presented the Japanese with a draft treaty generally patterned after the amendments to the Japanese peace treaty proposed by the USSR in 1951,

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The principal terms included in the draft were (1) mutual agreement on nonaggression and noninterference in domestic affairs; (2) nonparticipation by the Japanese in any alliance directed against a power that fought against Japan in World War II; (3) recognition by Japan of Soviet sovereignty over South Sakhalin, the Kurils, Habomai and Shikotan Islands; (4) mutual relinquishment of claims for damages or reparations arising out of World War II; (5) the granting of full freedom of navigation to Soviet merchant ships in the Tsushima, Tsugaru and Soya Straits and other waters in the Hokkaido vicinity, and restriction of freedom of navigation for military vessels in these waters to those countries bordering on the Japanese Sea; (6) conclusion of an agreement providing for cultural exchange and the development of mutual understanding; (7) Soviet support for the Japanese application for UN membership; and (8) provision for future commercial relations between the two states.

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Comment: The Soviet Union's failure to meet major Japanese demands and its virtual return to its 1951 position represent a stronger stand than the USSR is expected to maintain during future negotiations.

The Soviet draft treaty strikes at the heart of Japan's defense arrangements with the United States, and

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the Japanese have asserted they cannot accept such a proposition. Matsumoto's strong bid on the repatriation problem indicates the Japanese feel they must have some face-saving concessions before they can reach agreement with Moscow.

5. Comment on the Argentine situation:



Shortly after the announcement on 16 June by the Vatican that "all persons connected with the expulsion of Bishop Tato from Argentina have been excommunicated," a group of military planes dropped bombs on the presidential palace. American ambassador Nufer, who saw the bombs dropped, believed all missed the palace. He reported that people deserted the streets and took cover in subways and buildings. At the same time, according to press reports, "soldiers" armed with machine guns were attempting to attack the palace.

The official government radio announced at 1311 hours (DST) that the revolution had been crushed. A tight government censorship was in effect at the time.

A second bombing took place just when the forces of Peron appeared to be dominating the fighting in the capital. The press reports that "waves of bombers" of the navy and air force, including jet aircraft, started dropping bombs around the government buildings at 1426 hours (DST). Casualties were said to be numerous.

Following a radio address in the early evening of 16 June, in which he praised the army for its loyalty, Peron declared a state of siege and called Congress into special session to declare martial law. The only information received after the second bombing is from the Peron-controlled radio and press and radio reports from Uruguay.

Press and radio reports from Montevideo later the night of 16 June state that several planes of the Argentine rebels have landed in Uruguay. And Uruguay officials announced that the rebels and the planes had been interned.

Provided the army and the police remain loyal to Peron, he will almost certainly retain control of the government. The church-state conflict, however, carries an emotional charge. Consequently, the situation in Argentina will remain explosive during the next few months, during which time, according to a law passed last month, elections are required to be held for a constituent assembly whose duty it is to consider changing the constitution in order to bring about a complete separation of church and state.